

July 8, 2002

Opening Statement by Congressman Paul E. Gillmor
House Financial Services Committee
Full Committee Hearing entitled, "Wrong Numbers: The Accounting Problems at WorldCom"

I would like to thank Chairman Oxley for calling this important hearing and for his leadership on this issue. This committee continues to move swiftly in investigating reports of corporate fraud, abuses, and mismanagement and, most importantly, has produced legislation successfully reported out of the House of Representatives to deal with the systemic problems revealed.

On April 24th, the House passed the Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002, sponsored by Chairman Oxley, which addresses several issues regarding Securities and Exchange Commission (SEC) rules governing corporate disclosures found to be insufficient in preventing the misinformation surrounding the Enron collapse.

Today, this committee is again seeking information as to how a major publicly traded corporation could deceive its shareholders and fail to comply with Generally Accepted Accounting Principles (GAAP) causing, in this case, the destabilization of the nation's second largest long-distance provider and a leader in electronic commerce. Shareholders in this country cannot continue to suffer the losses involved in recent corporate scandals, as many are participants in public and private pension plans and could stand to lose much if not all of their retirement savings.

The role of the analysts can also not be ignored in this particular situation. I hope that today's hearing will shed further light on the relationships that exist between the management of publicly traded corporations and the Wall Street analysts meant to objectively evaluate them. If inappropriate communications have taken place and inside information has been utilized for profit, the persons involved must be prosecuted.

Congress has the responsibility to investigate thoroughly all issues surrounding these recently publicized fraudulent corporate practices and to continue reviewing our current securities laws and passing appropriate reform measures.

Again, I applaud Chairman Oxley for his leadership and look forward to an informative session.